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|--|--------------|---|----|----------------------|----------|-----------|-----------|-----------|--------------|--|--|
| FSC-68-A | | 4/3/97 | | | | | | | | | |
| SUBJECT: Eclipse New Product/Price Reduction | | | | PARTIAL DISTRIBUTION | | | | | | | |
| DISTRIBUTION: | | | | | | | | | | | |
| <u>X</u> AVP | <u>X</u> KAM | <input checked="" type="checkbox"/> DM | 11 | <u>21</u> | <u>x</u> | 51 | <u>62</u> | <u> </u> | <u> </u> | | |
| <u>X</u> RSM | <u>X</u> AM | <input checked="" type="checkbox"/> RM + J.G. | 12 | <u>x</u> | 22 | <u>x</u> | 54 | <u> </u> | 63 <u> </u> | | |
| <u>X</u> RBM | <u>X</u> AE | <u> </u> Sales Rep | 13 | <u> </u> | 23 | <u>x</u> | 56 | <u> </u> | 66 <u> </u> | | |
| <u>X</u> ROM | | <u> </u> Retail Rep | 16 | <u> </u> | 26 | <u> </u> | 58 | <u>x</u> | 67 <u> </u> | | |
| | | | 17 | <u>x</u> | 29 | <u> </u> | | | 69 <u>x</u> | | |
| | | | 18 | <u>x</u> | | | | | | | |
| FX1 ONLY-PC | | | | | | | | | | | |

Starting May 12, 1997 we will begin shipping new/improved Eclipse product at full list price versus premium list price. The new list price will be \$61.95 per M versus the current list price of \$65.70 per M.

The new product will be easier to light and has a new filter design which gives Eclipse a richer, fuller flavor. There will be some minor pack graphic changes; however all UPC codes, case/carton/pack will remain the same.

Smoker Research on the new/improved Eclipse indicates that:

- After trying the improved Eclipse, twice as many smokers were interested in buying Eclipse
- 30% more smokers rated the new product easier to light.
- 50% more smokers rated the new product more pleasurable.

Field Sales Accountabilities

Direct Accounts

- Call on all Direct Accounts (Attachment I) the week of April 14, 1997 to review the changes being made to the product and to provide them with the following information:

1. The last date they will be able to order the current Eclipse product will either be April 23 or April 24, 1997 (depending on transit time) with the last delivery day being Friday, April 25, 1997.
2. Shipments will be suspended from Monday, April 28 through Friday, May 9, 1997. Orders will only be accepted during this period for delivery on Monday, May 12, 1997 or thereafter.
3. All deliveries starting May 12, 1997 will be at the new list price of \$61.95 per M and will be the new/improved product.
4. Old style Eclipse returned through July 25, 1997 will be reimbursed at the current list price of \$65.70 per M. Returns received after this date will be reimbursed at the new list price.

IMPORTANT NOTE: As soon as the new product arrives we should physically call on all Direct Accounts to insure that any remaining warehouse inventories of the current product are placed in each accounts Returned Goods Section and returned to Winston-Salem as soon as possible.

5. Suggest that Direct Accounts revise the price of Eclipse to retailers to reflect the lower list price effective Monday, May 12. Also we should suggest that Direct Accounts advise their retail customers of the product improvements, price reduction and the need to return the current product as soon as they receive their first order of the new product.

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Retail Accounts

- Start advising Chains (Attachment II) and Independent Retailers of the product improvements and price reduction the week of April 14, 1997.
- Pre-book orders to be delivered the week of May 12 as we anticipate some out of stocks due to the suspension of shipments for two weeks.
- Carton inserts intended to inform current Eclipse smokers of the product improvements will be in the first 300 cases of new Eclipse shipped.
- Starting May 12 during normal coverage we should return all on hand retail inventories of the old product to Direct Accounts.

It is very important that this is accomplished as soon as possible since Direct Accounts only have until July 25 to return the old product and be reimbursed at the higher list price.

The easiest way to determine if product at retail is the old style is:

Carton Inventory: Any carton with a C7 code date or earlier is the old style

Package Inventory: Any pack with an insert on the back of the pack is the old style. The new product will have a similar insert; however, it will be inside the pack.

Also all old cartons and packs state nearly 90% less second hand smoke whereas the new product states 80% less second hand smoke.

- Starting May 12, we should suggest that retailers revise the price to reflect the lower list price and to sell Eclipse for the same retail price as all other full price brands. All current price signs showing the premium price should either be revised, replaced or removed entirely from retail stores.

To support the re-launch of the new, improved Eclipse the following will occur starting in July:

- Major newspaper ads
- Out of Home advertising
- Retail Intercept
- Free Lighter with one pack purchase counter displays
- Retail POS changeover
- Direct Mail delivering B1G1F and \$3.00 off a carton coupons

During normal coverage beginning June 30, Retail Reps should ensure all old Eclipse POS is converted to new POS. POS materials to convert, along with item numbers will be provided in the near future.

A Fact Sheet for your use in presenting the new Eclipse to your accounts will be mailed to each ROU and each Account Executive. ROU will need to distribute face sheets to all affected KAMs, AMs and DMs. Samples of the new cigarette will be provided shortly.

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R. J. REYNOLDS TOBACCO COMPANY

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